


MEMORANDUM

March 16, 2012

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: **Public Hearing:** Bill 4-12, Economic Development – Urban Renewal – Wage and Health Insurance Requirements

Bill 4-12, Economic Development – Urban Renewal – Wage and Health Insurance Requirements, sponsored by Councilmembers Riemer, Ervin, Rice and Elrich, was introduced on January 31, 2012. A Planning, Housing and Economic Development Committee worksession is tentatively scheduled for March 26 at 2:00 p.m.

Background

Bill 5-02, Procurement – Service Contracts – Wage Requirements, was enacted by the Council on June 11, 2002 and signed into law by the County Executive on June 20, 2002. This law is codified at §11B-33A of the County Code. The Living Wage Law requires certain businesses which provide services (but not goods) to the County to pay employees working on a County contract a minimum living wage that was originally set at \$10.50 per hour effective July 1, 2003. The law requires the Chief Administrative Officer to adjust this rate each July 1 by the annual average increase, if any, in the Consumer Price Index for all urban consumers for the Washington-Baltimore metropolitan area. The current living wage is \$13.20 per hour. The Living Wage Law does not require employers to provide health insurance, but employers are given credit toward the wage rate for the cost of any health insurance provided.

Bill 4-12 would require a direct recipient or a third party beneficiary of grants in excess of \$100,000 from the Economic Development Fund who operates a large retail store to comply with the County Living Wage Law. A large retail store means a business that derives more than 50% of its revenue from the sale of goods directly to the public in a single retail space of 75,000 square feet or more. The Bill would require these employers to offer their covered employees health insurance that “includes coverage options that are reasonably comparable to the coverage options then available to County employees.” The Bill would also permit the Council to require a large retail store located on property sold or leased by the County under an urban renewal plan to comply with the Living Wage Law plus health insurance as a condition of the sale or lease.

This packet contains:

Bill 4-12
Legislative Request Report
Fiscal and Economic Impact Statement

Circle #

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Bill No. 4-12
Concerning: Economic Development –
Urban Renewal – Wage and Health
Insurance Requirements
Revised: January 26, 2012 Draft No. 6
Introduced: January 31, 2012
Expires: July 31, 2013
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmembers Riemer, Ervin, Rice and Elrich

AN ACT to:

- (1) require payment of certain wages and benefits by an employer operating a large retail store on property for which certain grants are received from the Economic Development Fund;
- (2) require payment of certain wages and benefits by an employer operating a large retail store located on property sold or leased by the County under an urban renewal plan; and
- (3) generally require the payment of certain wages and benefits by certain employers receiving direct or indirect financial assistance from the County.

By amending

Montgomery County Code
Chapter 20. Finance
Section 20-75
Chapter 56. Urban Renewal and Community Development
Section 56-10

Boldface

Underlining

[Single boldface brackets]

Double underlining

[[Double boldface brackets]]

* * *

Heading or defined term.

Added to existing law by original bill.

Deleted from existing law by original bill.

Added by amendment.

Deleted from existing law or the bill by amendment.

Existing law unaffected by bill.

The County Council for Montgomery County, Maryland approves the following Act:

1 **Sec. 1. Sections 20-75 and 56-10 are amended as follows:**

2 **20-75. Use of Fund.**

3 * * *

4 (f) (1) As used in this subsection, a large retail store means any
5 business that:

6 (A) derives more than 50% of its revenue from the sale of
7 goods directly to the public; and

8 (B) uses at least 75,000 square feet of retail space in a single
9 location.

10 (2) With respect to each employee of a large retail store (including an
11 employee of a contractor or subcontractor) whose primary
12 worksite is located on the property for which the assistance is
13 received, each recipient of assistance from the Fund, or of any
14 other economic development financial assistance offered by the
15 County, that cumulatively exceeds \$100,000, must:

16 (A) meet the wage requirements of Section 11B-33A, as if it
17 were a covered employer under that Section; and

18 (B) offer health insurance that the Director finds substantially
19 satisfies the criteria described in paragraph (3).

20 (3) The Director, based upon information submitted by the recipient
21 of assistance, must find that:

22 (A) the health insurance offered includes coverage options that
23 are reasonably comparable to the coverage options then
24 available to County employees;

25 (B) the health insurance offered has a reasonable cost in light
26 of the compensation range for each major category of
27 employee; and

(C) more than 50% of each major category of employee has
opted to obtain employer-provided health insurance in the
current benefit year.

(4) In addition to any repayment requirements under this Section,
the enforcement provisions of Section 11B-33A(h) apply to
noncompliance with this requirement by a recipient of economic
development assistance.

56-10. Powers and authority of Council generally.

* * *

(s) *Sale, lease, etc., of property acquired.*

(1) The Council may [To] sell, lease, convey, transfer or otherwise
dispose of or retain any [of such land or] property, [regardless of]
whether or not it has been developed, redeveloped, altered or
improved [and irrespective of the manner or means in or by
which] without regard to the way it [may have been] was
acquired, to any private, public or quasi-public corporation,
partnership, association, person or other legal entity.

(2) Any lease or rental agreement entered into [pursuant to] under
this Article, for any [of the purposes or objectives contemplated
by] purpose of this Article, [is hereby declared to] must be used
exclusively for business or commercial purposes. [and the] Any
fee, interest, rent, or charge [reserved to be paid shall] payable as
a result of the use of the property must not be [subject to
redemption] paid to [by] the lessee, tenant or their successors in
title, except [to the extent and in the manner set forth] as provided
in [such] the lease agreement.

(3) [Such] The Council may place [property shall be subject to such] covenants, conditions and restrictions, including covenants running with the land, [as the county Council may deem to be necessary or desirable] to [assist in preventing] prevent the development or spread of future slums or blighted areas or to otherwise carry out the purposes of this Article.

(4) The purchasers or lessees and their successors and assigns [shall be obligated to] must devote such real property only to the uses specified in the urban renewal plan[, and may be obligated to comply with such] The Council may establish other requirements on the use of the property, [as the county council may determine to be in the public interest,] including:

(A) [the obligation to begin within a reasonable time] beginning any improvements on such real property required by the urban renewal plan within a reasonable time; and

(B) complying with the wage requirements of Section 11B-33A and the health insurance requirements of Section 20-75(f), as if it were a covered employer under those Sections, with respect to each employee of a large retail store, as defined in Section 20-75(f)(1), (including an employee of a contractor or subcontractor) whose primary worksite is located on the property purchased or leased.

(5) Any sale or lease of [Such] real property [or interest therein shall be retained, sold, leased, or otherwise transferred at not less than] must be made at its fair value for uses in accordance with the urban renewal plan. [In determining the] The fair value of real

property for uses in accordance with the urban renewal plan [, consideration shall be given to] must consider:

(A) the uses provided in such plan;

(B) the restrictions upon the use of the property, [and] including the covenants, conditions and obligations assumed by the purchaser or lessee or by the County [council] retaining property; and

(C) [and] the [objectives of such plan for the prevention of] need to prevent the recurrence of slum or blighted areas.

(6) The [conveyance to] Council may prohibit a private purchaser or lessee [may provide that such purchaser or lessee shall be without power to sell, or encumber, or lease, or otherwise transfer] from selling, encumbering, or leasing the real property without the prior written consent of the [county] Council.

* * *

Approved:

Roger Berliner, President, County Council

Date

Approved:

Isiah Leggett, County Executive

Date

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

Date

LEGISLATIVE REQUEST REPORT

Bill 4-12

Economic Development – Urban Renewal – Wage and Health Insurance

DESCRIPTION: This bill would require an employer operating a large retail store on property for which a grant of more than \$100,000 is received from the Economic Development Fund to comply with the County Living Wage Law and offer reasonable health insurance. The Bill would also permit the Council to place similar requirements on an employer operating a large retail store located on property sold or leased by the County under an urban renewal plan.

PROBLEM: County economic development funding does not always result in new jobs that provide an employee with a reasonable wage and benefits.

GOALS AND OBJECTIVES: Ensure that County economic development funds are only used to create jobs that provide an employee with a reasonable wage and benefits.

COORDINATION: DED Director, DGS Director

FISCAL IMPACT: To be requested.

ECONOMIC IMPACT: To be requested.

EVALUATION: To be requested.

EXPERIENCE ELSEWHERE: To be researched.

SOURCE OF INFORMATION: Robert H. Drummer, Senior Legislative Attorney, 240-777-7895

APPLICATION WITHIN MUNICIPALITIES: To be researched.

PENALTIES: Not applicable.

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ROCKVILLE, MARYLAND

MEMORANDUM

March 8, 2012

TO: Roger Berliner, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Joseph F. Beach, Director, Department of Finance *JH*

SUBJECT: Bill 4-12 - Economic Development – Urban Renewal – Wage and Health Insurance Requirements

Attached please find the fiscal and economic impact statements for the above-referenced legislation.

JAH:nm

c: Kathleen Boucher, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Joy Nurmi, Special Assistant to the County Executive
Patrick Lacefield, Director, Public Information Office
Alex Espinosa, Office of Management and Budget
Angela Dizelos, Office of Management and Budget
Mary Oneda-Brown, Office of Management and Budget
Naeem Mia, Office of Management and Budget
Peter Bang, Department of Economic Development
Tina Benjamin, Department of Economic Development

Fiscal Impact Statement
Bill 4-12 – Economic Development – Urban Renewal –
Wage and Health Insurance Requirements

1. Legislative Summary.

Bill 4-12 would require an employer operating a large retail store on property for which grants in excess of \$100,000 are received from the Economic Development Fund (EDF) to comply with the County Living Wage Law, and offer their employees health insurance that “includes coverage options that are reasonably comparable to the coverage options available to County employees.”

The Bill would also require a large retail store located on property sold or leased by the County under an urban renewal plan to comply with the County Living Wage Law plus health insurance as a condition of the sale or lease.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

We are currently unable to estimate the revenue impact to the County associated with this Bill, since it is dependent on the decisions made by private-sector firms. There would not be any increase in expenditures associated with this Bill.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

No expenditure increases over the next 6 fiscal years.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

Not applicable.

5. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

Not available at this time.

6. An estimate of the staff time needed to implement the bill.

Since it is unknown how many large retail businesses would be affected by this Bill, we cannot determine the required staff time.

However, if the County Living Wage Law and the provision of health insurance becomes a mandatory requirement for EDF or County land sale/lease transactions that involves a large retail business, then the Department of Economic Development can monitor/audit with minimal staff time.

- 7. An explanation of how the addition of new staff responsibilities would affect other duties.**

Indeterminate because the total increase in staff time needed to implement this Bill is currently unknown.

- 8. An estimate of costs when an additional appropriation is needed.**

Not applicable.

- 9. A description of any variable that could affect revenue and cost estimates.**

Not available at this time.

- 10. Ranges of revenue or expenditures that are uncertain or difficult to project.**

All revenues and expenditures are difficult to project at this time.

- 11. If a bill is likely to have no fiscal impact, why that is the case.**

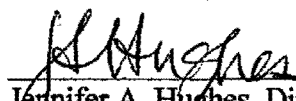
Not applicable.

- 12. Other fiscal impacts or comments.**

None at this time.

- 13. The following contributed to and concurred with this analysis:**

Peter Bang, Chief Operating Officer, Department of Economic Development
Tina Benjamin, Chief of Special Projects, Department of Economic Development
Mary Oneda-Brown, Office of Management and Budget
Naeem Mia, Office of Management and Budget
Angela Dizelos, Office of Management and Budget



Jennifer A. Hughes, Director
Office of Management and Budget

3/8/12

Date

Economic Impact Statement

Council Bill 4-12

Economic Development – Urban Renewal – Wage and Health Insurance Requirements

Background:

This proposed legislation would require an employer operating a large retail store on property for which grants in excess of \$100,000 are received from the Economic Development Fund to comply with the County Living Wage Law. Bill 4-12 (Bill) would also require these employers to offer their employees health insurance that is reasonably comparable to coverage available to County employees. The Bill would also authorize the Council to require a large retail store located on property sold or leased by the County under an urban renewal plan to comply with the Living Wage Law and health insurance requirements prior to sale or lease.

A large retail store is defined as one that derives more than 50 percent of its revenues from the sale of goods directly to the public, and uses at least 75,000 square feet of retail space in a single location.

1. The sources of information, assumptions, and methodologies used.

According to data from the Bureau of Labor Statistics, U.S. Department of Labor, there were a total 44,080 employees working at retail establishments in the County in calendar year 2010, the latest date for which data are available. The average weekly wage was \$601 which translates to an average hourly wage of \$15.02 for a forty (40) hour work week. Therefore, that average hourly wage rate is above the \$13.20 per hour living wage. However, data are not available on the number of retail employees in the County who earn below the living wage and whether they have health insurance that is comparable to the County's coverage options. Therefore, because of the lack of specific information regarding the compensation and benefits for employees in large retail stores the economic impact of this legislation is difficult to determine at this time.

According to information provided by the Department of Economic Development, Economic Development Funds (EDF) have never been issued directly to large retail store. Since retail is not one of the special focus areas of the EDF it is not likely that the subject legislation would have any quantifiable economic impact.

2. A description of any variable that could affect the economic impact estimates.

As discussed under item #1, the number of employees working in large retail stores earning less than \$13.20 is not available. This variable is relevant to determine the economic impact. Because such data are not available, an economic impact estimate cannot be calculated with any precision.

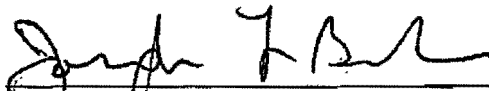
3. The Bill's positive or negative effect, if any on employment, spending, saving, investment, incomes, and property values in the County.

For reasons presented in items 1 and 2, it is not possible to determine either the Bill's positive or negative effect on employment and wage and salary income in the County.

4. If a Bill is likely to have no economic impact, why is that the case?

It is unknown without specific data whether the Bill will have an economic impact.

5. The following contributed to and concurred with this analysis: David Platt and Mike Coveyou, Finance



Joseph F. Beach, Director
Department of Finance

3/7/12

Date